STRENGTHENING THE SAFETY NET

A FINANCIAL ANALYSIS OF NEW HAMPSHIRE'S COMMUNITY HEALTH CENTERS

Lamprey Health Care




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Lamprey Health Care, Inc.
Financial Analysis 1993-1999

Summary

During the years 1993 to 1999, Lamprey Health Care, Inc. has experienced a breakeven level of profitability that is near the median of all CHCs studied. Roughly $670,000 of long-term debt was issued in 1996, that along with cash generated from short-term debt allowed the health center to purchase new property, plant and equipment (PP&E). Even with this increase in long-term debt (LTD), Lamprey Health Care, Inc. maintains a debt to equity ratio that is near the median of the CHCs. Lamprey's ability to pay off debt is erratic. Much of the Center's current assets are tied up in accounts receivable, although the collection period is well below the CHC median.

Cash Flows

Lamprey generated a significant portion of their cash from speeding up collections of accounts receivable and slowing down payment of short-term obligations (27.7% and 10.9%, respectively). The issue of long-term debt in 1996 generated 21.9% of their cash in the seven-year period. 35.7% of Lamprey Health Care, Inc.'s cash was generated from income (13.3%) and depreciation (22.4%). Most of the cash generated by net income (13.3%) was earned in 1996, which occurred after a favorable settlement with Medicaid.

The majority of the cash used during the period analyzed was for the purchase of property, plant and equipment (PP&E) (71.2%), which also occurred in 1996. Much of the remainder of the cash went to a reduction in deferred grants, a liability account that is reported as a liability in one year, but in the next year, it disappears from the statement without any evidence of having been earned or transferred into operating revenues. (This may be a deficiency in reporting that cannot be fully understood with available information.)

Profitability

Lamprey Health Care Inc.'s profit margins varied around zero for much of the period analyzed. Operating expenses and revenues increased at roughly the same rate, although the make-up of the operating revenues changed. For example, the percent of total expenses that were covered by net patient service revenues decreased from 67% to 56% over the period 1993-1999. Charges for services followed a similar trend, decreasing from 81% to 69% of gross patient service revenue (GSPR) from 1993 to 1998. In 1999, it increased to 90% based on a change in revenue recognition policy.

Liquidity

Lamprey collects its accounts receivables in 46 days, on average, in 1999. This rate is among the fastest of the CHCs analyzed. In 1993, Lamprey was also among the fastest at paying short-term obligations (average pay period of 23.3 days), although payment has slowed to 45.7 days in 1999, now among the slowest to pay. Lamprey has a current ratio of 1.69, which lies near the median of the CHCs. The current ratio has improved significantly since 1996, primarily due to reductions in deferred grants revenue, which as mentioned earlier, is not consistently stated in Lamprey's financial statements.

Solvency

Lamprey's capital structure is average among the CHCs, even though $668,000 in debt was issued in 1996. Lamprey's equity financing ratio was 49% in 1999, falling from a value of 74% following the issue of long-term debt. Lamprey's ability to service debt is erratic, and mirrors profitability.

Source: Audited Financial Statements. Prepared by Jennifer Scott, Paul Giaudrone, and Hyun Ryu under the supervision of Nancy Kane, DBA, Harvard School of Public Health.